

FORTH HOUSING ASSOCIATION LIMITED
FACTORING POLICY

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FORTH HOUSING ASSOCIATION LIMITED

FACTORING POLICY

1.0 Introduction

- 1.1 Forth Housing Association will offer a factoring service to owners and sharing owners whose properties fall within its area of management. The Association recognises the benefits of providing a factoring service, which will encourage good relations with local owners and ensure that all properties and common areas are adequately maintained. The Association will therefore seek to provide the highest possible standard of service to owners, while ensuring that such provision is always practical, legally compliant and cost-effective.
- 1.2 The Association's provision of a factoring service will always be dependant upon owners making payments whenever requested, whether in respect of work already done or in advance for major works to be carried out. This policy will not duplicate the Deed of Conditions which will always take precedence.
- 1.3 All references to owners will include sharing owners, for the purpose of this policy.

2.0 Legal position

- 2.1 Every owner has a deed of conditions for their property as drawn up at the time of sale. This deed of conditions clearly expresses the rights and obligations of each party.
- 2.2 The Property Factors (Scotland) Act 2011 was passed by the Scottish Parliament and came into force on 1 October 2012. This new legislation is designed to regulate the property factoring industry and provide increased protection for homeowners who receive factoring services.

It is now compulsory for all property factors in Scotland to register with the Scottish Government and adhere to the Code of Conduct. The Association registered by 01 October 2012 as required. Our registration number is PF000217.

The Code of Conduct sets out the minimum standards of practice that we must follow as a property factor. Under the Code of Conduct, property factors must issue owners with a Written Statement, outlining the terms and conditions of the services provided and state their "authority to act" as factor

Forth Housing Association discharges its authority as Factor as per provisions of either the title deeds relating to properties or in accordance with the Tenements (Scotland) Act 2004/Title Conditions Act 2003, if applicable, and/or the Factoring Agreement issued to all owners and therefore any action, which is taken, must be justifiable in terms of same.

- 2.3 Each owner is provided with a written statement (see appendix 1), which contains the standard conditions and services to be adhered to in the provision of the Association's factoring service. The written statement makes reference to the deed of conditions, but does not replace it. Whilst the deed of conditions for a property remains constant no matter who becomes the owner, each new owner will receive a written statement. The deed defines the common parts, rights of access, provision for maintenance and share of repair costs to be met by each owner.

3.0 Definitions

- 3.1 The following definitions will be used throughout this policy:

3.2 **Factoring**

A property management service offered to property owners to plan for, arrange and oversee work on their behalf, e.g. common repairs, planned maintenance works and insurance. Factoring services and responsibilities also relate to areas of common land or space as well as specific properties.

3.3 **Factor**

The agent appointed to carry out a factoring role, ie. Forth Housing Association Limited.

3.4 **Tenement**

A building which comprises two or more separate dwellings which are divided from each other horizontally and including any land attached to that building, e.g. gardens, back courts, etc.

3.5 **Flat**

A dwelling-house in a tenement

3.6 **Deeds of Conditions**

This is a legal document that imposes legally enforceable conditions on the property to which it relates. Conditions may cover permitted uses of the property and requirements relating to the division of responsibility for repairs and maintenance of a building in multiple-ownership.

3.7 **Written Statement**




This is a written statement of the services the Association will provide.

3.8 **Factoring Float**

This is a one-off deposit of an agreed sum that may be paid to the Factor when the owner purchases the property and refunded on re-sale, less any outstanding factoring costs. The amount of the float may be determined by the Deed of Conditions.

4.0 Staff responsibilities for service provision

4.1 The Tenant Services Manager has the overall responsibility for the factoring service within the Association. However, operational duties will be dealt with as follows:

-  Estate management and general owner liaison- Tenant Services team (housing management)
-  Repairs & maintenance liaison- Tenant Services team (maintenance)
-  Financial liaison- Finance team

5.0 The Factoring Service

5.1 The Association aims to provide a factoring service to all these owners to ensure that parts owned in common are both satisfactorily maintained and adequately insured (where applicable). In doing this we aim to recover the full costs involved. The terms of the factoring service provided by the Association to owners/sharing owners are detailed in the Written Statements.

The Association shall be responsible for the general management and administration of the property and has the power to perform duties imposed by the Deed of Conditions/Written Statements and any other functions assigned by the owners. The service will include all necessary repairs to the common areas, insurance arrangements (where applicable), and administration of service charges, environmental maintenance and management of appropriate records.

5.2 Buildings insurance

The Association will comply with the property Deed of Conditions to ensure that the buildings they manage are adequately insured to cover the full rebuilding of all common parts of the building in the event of fire, storm, flood or other major disaster. Cover will be arranged via a major insurance company, at the most competitive rate available for the appropriate level of cover and due to economies of scale this should prove cost effective to owners. The Association will co-ordinate any claims to be made via the Common Buildings Insurance Policy and inform the owners of the outcome.

5.3 Buildings Insurance will automatically be arranged for all owners. In the event that proof of alternative cover and payment of such is produced which the Association regards as satisfactory, the Association may reduce the building insurance cover accordingly and refund the owner as appropriate. The matter will however be one for the Association's discretion.

6.0 Financial arrangements

The following outlines proposed financial arrangements:

6.1 Factoring float









This is a one-off deposit of £100 paid at the time of purchase. It is intended to cover any minor works instructed and the quarterly statements will request that owners repay the costs to “top up” the float so that it remains at the same level. The float is refunded to owners as and when they sell the property- less any sums due for works.

6.2 Management fee

A standard management fee to cover general administration costs will be levied on all proprietors as follows:

- Proprietors of houses/cottage flats £45 per year*
 - Proprietors of flats within closes £65 per year*
- (* subject to annual review)






This management fee covers the following costs:

-  title research and preparation of grounds maintenance plans
-  calculating shares due by owners
-  obtaining and maintaining software to co-ordinate the scheme
-  creating and updating ownership records
-  maintaining accurate property repair records
-  issuing statements of account
-  recording payments made and received and recovering charges in relation to each property
-  apportioning charges on sale and corresponding with solicitors

6.3 Contract administration fee

A contract administration fee on the cost of all services, repairs etc shall be levied at a rate of 10%.

6.4 This administration fee covers costs relating directly to the provision of the service including:

-  taking details of repairs
-  inspecting and instructing works as required
-  tendering and obtaining estimates (where necessary)
-  discussions and correspondence with owners regarding works
-  overseeing works and ensuring that they are carried out satisfactorily



6.5 Procurement of services

All services and contractors will be procured in line with the Association's standard procedures as follows:

Value of service/works	Procurement method
Up to £1,000	Instruction issued to approved contractor/supplier*
£1,001 to £5,000	Instruction issued to approved contractor/supplier* following receipt of 3 written estimates
Over £5,000	Instruction issued to approved contractor/supplier* following tendering exercise [°] .

In emergency situations works necessary to address issues of health and safety or property integrity may be instructed by senior staff without estimates or tenders.

* Approved contractors/suppliers are regularly reviewed by the Association and are required to meet the following criteria:




-  Provide best value in terms of cost, response, service standards etc
-  Have a proven track record of provision, based on references, known performance etc.

[°] Tendering will normally be based on an agreed combination of price, quality and community benefit.

Service costs such as electricity for non adopted lighting of common areas, including stairways, will be charged directly based on the bills from suppliers.

6.6 Quarterly statements/bills

Statements/bills will be issued on a quarterly basis as follows:

-  April
 - buildings insurance (full year in advance)
 - management fee (quarterly in advance)
 - common repairs/maintenance paid since previous invoice
 - communal electricity paid since previous invoice
 - landscaping and close cleaning paid since previous invoice
-  July
 - management fee (quarterly in advance)
 - common repairs/maintenance paid since previous invoice
 - communal electricity paid since previous invoice
 - landscaping and close cleaning paid since previous invoice
-  Oct
 - management fee (quarterly in advance)
 - common repairs/maintenance paid since previous invoice
 - communal electricity paid since previous invoice
 - landscaping and close cleaning paid since previous invoice

January

- management fee (quarterly in advance)
- common repairs/maintenance paid since previous invoice
- communal electricity paid since previous invoice
- landscaping and close cleaning paid since previous invoice

6.7 Repair costs will be apportioned according to the share shown in the Deed of Conditions and where this is silent reference will be made to the Written Statement and/or the Tenements (Scotland) Act 2004. The 10% administration fee will be added as appropriate.

6.8 VAT will be charged if/when this becomes appropriate.

6.9 **Payment methods**

All owners will be offered a range of payment methods including direct debit, cheque or swipe card.

6.10 Although the Association will retain the right to levee interest and pursue recovery it will consider negotiating payment plans with proprietors experiencing financial difficulties.

6.11 **Arrears**

The Association will adopt a flexible and reasonable approach to ensure that arrears are minimised and the outstanding debts are recovered, as set out in the Debt Recovery Procedure.

6.12 Where owners fail to pay accounts the association may lodge a Notice of Potential Liability in the property register. This warns any prospective purchaser that there is an outstanding liability for which they would become liable.

6.13 Accounts that remain unpaid may be subject to an additional recovery fee plus any legal fees incurred in recovering the debt.

7.0 Works to owners properties

7.1 When undertaking any improvements and repairs to our properties, the Association may afford owners the opportunity of participating in any works programme where this is deemed appropriate. Where the Association agrees to manage the works the following procedure will apply;

7.2 **Funding**

The cost of participating in any improvement and/or repairs programme shall be funded wholly at the owners' expense and shall not be subsidised by the Association.

7.3 **Calculation of Costs**



Where an owner indicates an interest in participating in the proposed works they shall be advised of the anticipated cost based on the accepted tender.

- 7.4 Where additional works are required as a result of participating in the improvement and/or repair programme these shall be funded by the owner, who shall be advised in writing of the required works and the estimated additional cost.
- 7.5 The actual cost to be charged to an owner shall be based on the final account, their proportion of consultant's fees, planning and building warrant charges where applicable and the standard administration to cover the Association's costs.
- 7.6 **Recovery of owners' costs**
Work to owners' properties shall not commence until the Association has received payment of the full amount as detailed below, together with a signed mandate authorising the Association to undertake the works.
- 7.7 Prior to work commencing each owner shall pay to the Association the amount of the anticipated works cost, their proportion of consultants fees, planning and/or building warrant charges, where applicable, and the Association's administrative charge together with a contingency equal to 10% of the anticipated works cost.
- 7.8 Such amounts received by the Association shall be placed in a suspense account, which shall be drawn upon to meet interim and final certificates as they fall due. Once the account has been finally reconciled any overpayments will be refunded to the relevant Owners.
- 7.9 **Accountability**
The Association will liaise with the contractor on the works programme on behalf of the owner. The Association shall therefore remain accountable to the owner and shall maintain records for each owner detailing monies received against expenditure.
- 7.10 Details of owners' accounts shall be made available to them on request with a full statement of account being provided on agreement of the final account.

8.0 Consultation, Liaison & Information

- 8.1 The Association will ensure that appropriate information on the factoring service is issued to Owners in a variety of ways, including letters and information published in the Association's newsletter.
- 8.2 The Association will consult and liaise with owners as required on repairs or maintenance work.
- 8.3 The Association will arrange meetings on factoring services with owners as required or in response to a request from owners.
- 8.4 Prior to purchase, potential owners will be given clear information about the responsibilities, including repair and maintenance obligations and indications of costs, where possible.

8.5 After missives have been concluded detailed information will be issued to the owner including:

-  Written Statement
-  Information on the Factoring Policy.

9.0 Terminating the factoring agreement

- 9.1 The factoring agreement can be ended in line with the deeds of condition.
- 9.2 The Association retains the right to transfer their rights and obligations under this factoring agreement to a third party to act as Factor, should the Association, in its sole discretion deem it appropriate.

10.0 Neighbour disputes

- 10.1 Owners are expected to conduct themselves in a manner, which does not cause annoyance or nuisance to their neighbours and in accordance with statute, local byelaws and the deed of conditions.
- 10.2 Any breaches of statute or conditions laid down in the Deed of Conditions should be referred to Forth for advice or intervention as required. This will not, however, prejudice the right of any owner to take such legal action as they see fit.
- 10.3 It should be noted that whilst owners may contact the Association regarding disputes relating to neighbouring tenants the Association does not provide owners with the full Housing Management service available to tenants.

11.0 Review

- 11.1 This policy will be reviewed at least every 3 years by the Management Committee and staff are responsible for ensuring that it meets legal and good practice requirements.